IN THE SPECIFICATION:

Applicants have amended the specification with the changes outlined below, as requested by the Examiner:

Please replace paragraph 0005 with the following amended paragraph:

The basic idea behind transform coding is decorrelating the original signal so that the signal energy may be redistributed among only a small set of transform coefficients. In this way, ~~may~~ many coefficients may be discarded after quantization and before encoding. Generally, transform coding involves four steps: (1) image subdivision, which divides an image into smaller blocks, (2) transformation, such as a Discrete Cosine Transform (DCT) and a wavelet transform, (3) quantization, such as zonal coding and thresholding, and (4) encoding, such as Huffman encoding.

On page 4, please amend line 4 as follows:

~~DISCLOSURE OF INVENTION~~SUMMARY OF THE INVENTION

On page 6, please amend line 9 as follows:

~~BEST MODES FOR CARRYING OUT THE INVENTION~~DETAILED DESCRIPTION